

**Sterling and Wilson International Solar FZCO
and its Subsidiaries**

**Consolidated Financial Statements together
with the Independent Auditor's Report for
the year ended 31 March 2020**

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF
STERLING AND WILSON INTERNATIONAL SOLAR FZCO
AND ITS SUBSIDIARIES**

www.moore-uae.ae

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Sterling and Wilson International Solar FZCO ("the Parent Company") and its Subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 March 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in shareholder's funds and consolidated statement of cash flows for the year ended 31 March 2020, and notes to the consolidated financial statements, including the significant accounting policies set out in pages 3 to 38.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Continued...



MOORE

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF
STERLING AND WILSON INTERNATIONAL SOLAR FZCO
AND ITS SUBSIDIARIES (CONTINUED)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on the regulatory requirements

In our opinion, all the necessary books of accounts and other records have been maintained in accordance with the provisions of implementing regulations issued thereunder by Dubai Airport Free Zone pursuant to implementing Regulation No. 1 of 2000, Pursuant to Law No. 2 of 1996 and its amendment No. 2 of 2000 o H. H. Seikh Maktoum Bin Rashid Al Maktoum, Ruler of Dubai and the UAE Federal Law No. 2 of 2015 regarding commercial companies and its amendment and decision made for Free Zone Companies. We have obtained all information and explanations which are necessary for the purpose of the audit and to the best of our knowledge and belief no violation of the above applicable laws came to our attention which would materially affect the Group's financial position.

Moore Stephens

Moore Stephens

Dubai
10 June 2020



STERLING AND WILSON INTERNATIONAL SOLAR FZCO AND ITS SUBSIDIARIES

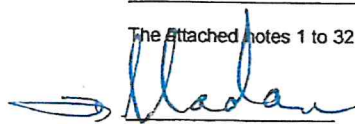
Consolidated financial statements for the year ended 31 March 2020

Consolidated statement of comprehensive income

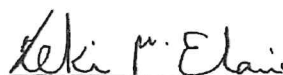
(stated in AED)

	Note	Year ended 31 March 2020	Year ended 31 March 2019
Income			
Revenue from contracts with customers	5	1,437,571,642	1,877,361,148
Direct costs	6	(1,298,968,984)	(1,590,718,827)
Gross profit		138,602,658	286,642,321
Other income	7	27,584,164	34,772,065
		166,186,822	321,414,386
Expenses			
General and administration	8	84,534,005	62,653,650
Selling		92,401	176,218
Finance charges	9	44,451,190	39,354,414
		129,077,596	102,184,282
Profit for the year before tax		37,109,226	219,230,104
Taxation	10	3,838,493	549,848
Profit for the year		40,947,719	219,779,952
Other comprehensive income:			
<i>Item that will be reclassified subsequently to profit or loss:</i>			
Exchange difference on translation of foreign operations		2,070,962	597,206
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
Remeasurement loss on employee terminal benefits obligations	24	(718,837)	—
Other comprehensive income for the year		1,352,125	597,206
Total comprehensive income for the year		42,299,844	220,377,158
Profit for the year attributable to:			
Shareholder of the Parent Company		43,257,444	221,175,185
Non-controlling interests	23	(2,309,725)	(1,395,233)
		40,947,719	219,779,952
Total comprehensive income for the year attributable to:			
Shareholder of the Parent Company		44,019,195	221,619,255
Non-controlling interests	23	(1,719,351)	(1,242,097)
		42,299,844	220,377,158

The attached notes 1 to 32 form part of these consolidated financial statements.


Neville Madan
Director
Dubai
10 June 2020


Bikesh Ogra
Director
Dubai
10 June 2020


Keki Elavia
Director
Mumbai
10 June 2020



**STERLING AND WILSON INTERNATIONAL SOLAR FZCO
AND ITS SUBSIDIARIES**

Consolidated financial statements for the year ended 31 March 2020

Consolidated statement of financial position

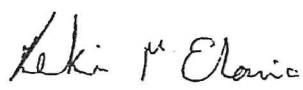
(stated in AED)

	Note	2020	2019
Assets			
Non-current assets			
Property and equipment	11	5,950,851	7,427,635
Intangible assets	12	1,978,471	2,037,527
Capital work-in-progress	13	413,433	—
Deferred tax asset	10	4,640,262	1,237,099
Total non-current assets		12,983,017	10,702,261
Current assets			
Income tax receivable	10	388,114	444,674
Inventories		—	593,673
Contract assets	14	64,115,964	57,810,134
Accounts and other receivables	15	1,395,634,208	1,464,747,933
Bank and cash balances	16	132,943,912	62,567,214
Total current assets		1,593,082,198	1,586,163,628
Total assets		1,606,065,215	1,596,865,889
Shareholder's funds and liabilities			
Shareholder's funds			
Share capital	17	1,000,000	1,000,000
Legal reserve	18	150,000	150,000
Capital reserve	19	(934,652)	(934,652)
Shareholder's current account	20	209,320,000	193,815,000
Foreign currency translation reserve		457,869	(1,014,966)
Retained earnings		205,842,080	201,010,465
Total shareholder's equity attributable to the shareholder of the Parent Company		415,835,297	394,025,847
Non-controlling interests	23	(3,772,560)	(1,587,954)
Shareholder's loan	21	14,684,744	1,047,413
Total shareholder's funds		426,747,481	393,485,306
Liabilities			
Non-current liabilities			
Lease liability	28	153,374	—
Employees' terminal benefits – non-current	24	2,241,741	1,284,985
Total non-current liabilities		2,395,115	1,284,985
Current liabilities			
Lease liability	28	505,434	—
Employees' terminal benefits – current	24	26,476	175,652
Retentions payable	25	23,052,944	20,128,463
Term loans	26	194,468,064	452,576,209
Bank borrowings	27	113,371,440	105,537,877
Accounts and other payables	29	845,498,261	623,677,397
Total current liabilities		1,176,922,619	1,202,095,598
Total liabilities		1,179,317,734	1,203,380,583
Total shareholder's funds and liabilities		1,606,065,215	1,596,865,889

The attached notes 1 to 32 form part of these consolidated financial statements.


Neville Madan
Director
Dubai
10 June 2020


Bikesh Ogra
Director
Dubai
10 June 2020


Keki Elavia
Director
Mumbai
10 June 2020



**STERLING AND WILSON INTERNATIONAL SOLAR FZCO
AND ITS SUBSIDIARIES**

Consolidated financial statements for the year ended 31 March 2020

Consolidated statement of changes in shareholder's funds

(stated in AED)

	Attributable to the shareholder of the Parent Company									
Year ended 31 March 2020	Share capital	Legal reserve	Capital reserve	Shareholder's current account	Foreign currency translation reserve	Retained earnings	Sub-total	Non-controlling Interests	Shareholder's loan	Total
Balance at 1 April 2019	1,000,000	150,000	(934,652)	193,015,000	(1,014,900)	201,010,465	394,025,847	(1,587,954)	1,047,413	393,485,306
Profit for the year	--	--	--	--	--	43,257,444	43,257,444	(2,309,725)	--	40,947,719
Other comprehensive income for the year	--	--	--	--	1,480,588	(718,837)	761,751	590,374	--	1,352,125
Total comprehensive income for the year	--	--	--	--	1,480,588	42,538,607	44,019,195	(1,719,351)	--	42,299,844
Adjustment arising on change in ownership of a subsidiary in previous year	--	--	--	--	(7,753)	473,008	465,255	(465,255)	--	--
Dividends paid	--	--	--	--	--	(38,180,000)	(38,180,000)	--	--	(38,180,000)
Movement during the year	--	--	--	15,505,000	--	--	15,505,000	--	13,637,331	29,142,331
Balance at 31 March 2020	1,000,000	150,000	(934,652)	209,320,000	457,869	205,842,080	415,835,297	(3,772,560)	14,684,744	426,747,481

	Attributable to the shareholder of the Parent Company									
Year ended 31 March 2019	Share capital	Legal reserve	Capital reserve	Shareholder's current account	Foreign currency translation reserve	(Accumulated losses)/ Retained earnings	Sub-total	Non-controlling Interests	Shareholder's loan	Total
Balance at 1 April 2018	1,000,000	150,000	(934,652)	177,000,000	(1,459,036)	(20,164,720)	155,591,592	(572,647)	956,540	155,975,485
Profit for the year	--	--	--	--	--	221,175,185	221,175,185	(1,395,233)	--	219,779,952
Other comprehensive income for the year	--	--	--	--	444,070	--	444,070	153,136	--	597,206
Total comprehensive income for the year	--	--	--	--	444,070	221,175,185	221,619,255	(1,242,097)	--	220,377,158
Arising on acquisition of subsidiaries during the year (Note 22)	--	--	--	--	--	--	--	226,785	--	226,785
Movement during the year	--	--	--	16,815,000	--	--	16,815,000	5	90,873	16,905,878
Balance at 31 March 2019	1,000,000	150,000	(934,652)	193,815,000	(1,014,966)	201,010,465	394,025,847	(1,587,954)	1,047,413	393,485,306

The attached notes 1 to 32 form part of these consolidated financial statements.



STERLING AND WILSON INTERNATIONAL SOLAR FZCO AND ITS SUBSIDIARIES

Consolidated financial statements for the year ended 31 March 2020

Consolidated statement of cash flows

(stated in AED)

	Note	Year ended 31 March 2020	Year ended 31 March 2019
Cash flows from operating activities			
Profit for the year before tax		37,109,226	219,230,104
Adjustments for:			
Interest expense	9	41,077,432	32,470,490
Interest on lease liability	9	88,323	--
Provision for employees' terminal benefits	24	554,602	1,640,681
Bad debts written off		10,146	--
Liabilities written back	7	(858,351)	--
Depreciation	8	3,772,663	2,222,599
Profit on sale of property and equipment		(32,549)	--
Interest income	7	(24,128,782)	(33,890,551)
Amortisation of intangible assets	8	59,056	16,242
Cash flows from operations before working capital changes		57,651,766	221,689,565
Decrease in inventories		593,673	136,706
(Increase)/decrease in contract assets	14	(6,305,830)	324,816,008
Decrease/(increase) in accounts and other receivables	15	24,241,820	(547,883,616)
Increase in retentions payable	25	2,924,481	18,653,691
Increase/(decrease) in accounts and other payables	29	224,280,450	(501,026,997)
Employee's terminal benefits paid	24	(465,859)	(288,877)
Income tax paid		(29,684)	(33,621)
Net cash from (used in) operating activities		302,890,817	(483,937,141)
Cash flows from investing activities			
Purchase of property and equipment	11	(1,142,967)	(2,256,979)
Proceeds from sale of property and equipment		1,201,335	17,410
Interest received on loan to related party and fixed deposits		13,398,550	400,687
(Increase) in margin money deposits	16	(5,219,191)	(7,365,855)
Increase in capital work-in-progress	13	(413,433)	--
Net movement in loan to a related party		55,207,727	54,915,649
Acquisition of subsidiaries (representing net assets and liabilities acquired during the period but exclusive of bank and cash balances)		--	(546,791)
Payment of purchase consideration for subsidiary		(1,697,016)	--
Movement in escrow account relating to acquisition of a subsidiary	16	3,407,156	(3,407,156)
Net cash from investing activities		64,742,161	41,756,965
Cash flows from financing activities			
Net movement in term loans	26	(258,108,145)	452,576,209
Net movement in bank borrowings	27	7,833,563	38,897,689
Interest paid		(24,744,003)	(5,756,678)
Payment of lease liability	28	(1,441,911)	--
Net movement in shareholder's loan		12,808,902	--
Dividends paid		(38,180,000)	--
Movement in non-controlling interest		--	5
Net cash (used in) from financing activities		(301,831,594)	485,717,225
Net movement in currency translation		2,763,279	865,077
Increase in cash and cash equivalents during the year		68,564,663	44,402,126
Cash and cash equivalents at the beginning of the year		51,794,203	7,392,077
Cash and cash equivalents at the end of the year		120,358,866	51,794,203
Non-cash transactions:			
Recognition of right-of-use assets		2,396,659	--
Recognition of lease liability		(2,012,396)	--
Transfer from capital work-in-progress to property and equipment		--	1,439,971
Transfer of property and equipment from related party		(89,383)	(137,924)
Employees' terminal benefits liability transferred from related party		--	48,230
		294,880	1,350,277

The attached notes 1 to 32 form part of these consolidated financial statements.

STERLING AND WILSON INTERNATIONAL SOLAR FZCO AND ITS SUBSIDIARIES

Consolidated financial statements for the year ended 31 March 2020

Notes to the consolidated financial statements

(stated in AED)

1. Legal status and principal activities

These consolidated financial statements comprise the financial statements of Sterling and Wilson International Solar FZCO ("the Parent Company") and its Subsidiaries (collectively called as "the Group") listed below. The Parent Company was incorporated on 7 December 2017 in Dubai Airport Free Zone with limited liability pursuant to the Implementing Regulations No. 1 of 2000, Pursuant Law No. 2 of 1996 and its Amendment No. 2 of 2000 of H.H. Sheikh Maktoum Bin Rashid Al Maktoum, Ruler of Dubai and the UAE Federal Law No. 8 of 1984 regarding Commercial Companies and its amendments and decisions made and issued there under by the Dubai Airport Free Zone Authority. The principal place of business of the Parent Company is at Park Place Tower, Office No 1803-1804, Sheikh Zayed Road, Dubai, UAE.

The details of subsidiaries which have been consolidated in the Group's consolidated financial statements are as follows:

Sl. No.	Name of subsidiary	Capital		Control and share of profit / loss		Country of registration and principal place of business
		31 March 2020	31 March 2019	31 March 2020	31 March 2019	
I.I	Sterling and Wilson Middle East Solar Energy L.L.C	49%	49%	100%	100%	United Arab Emirates
I.II	Sterling and Wilson Singapore Pte. Ltd.	100%	100%	100%	100%	Singapore
I.III	Sterling and Wilson Engineering (Pty) Ltd.	60%	60%	60%	60%	South Africa
I.IV	Sterling and Wilson Solar Solutions Inc.	100%	100%	100%	100%	U.S.A.
I.V	Renovable Energia Contracting, S.L.	99%	99%	100%	100%	Spain
I.VI	GCO Solar Pty Ltd. (Previously known as GCO Electrical Pty. Ltd.)	76%	76%	76%	76%	Australia
I.VII	Sterling and Wilson International LLP (formerly A&S Company LLP)	100%	100%	100%	100%	Republic of Kazakhstan
I.VIII	Sterling and Wilson Solar Australia Pty Ltd.	100%	--	100%	--	Australia
I.IX	Sterling and Wilson Solar Malaysia Sdn Bhd	30%	--	100%	--	Malaysia
<i>Held through Sterling and Wilson Singapore Pte. Ltd.:</i>						
I.X	Sterling and Wilson Kazakhstan LLP	100%	100%	100%	100%	Republic of Kazakhstan
<i>Held through Sterling and Wilson Solar Solutions Inc., USA:</i>						
I.XI	Sterling and Wilson Solar Solutions LLC	100%	100%	100%	100%	U.S.A.

استيرلنج اند ويلسون انترناتيونال سولار فزكو
Sterling and Wilson
International Solar FZCO
P.O. Box: 54811, Dubai - U.A.E.



STERLING AND WILSON INTERNATIONAL SOLAR FZCO AND ITS SUBSIDIARIES

Consolidated financial statements for the year ended 31 March 2020

1. Legal status and principal activities (Continued)

There has been no significant commercial activity for the subsidiaries registered in Singapore, Kazakhstan and Malaysia as of the reporting date.

Although the shareholding in Sterling and Wilson Middle East Solar Energy L.L.C and Sterling and Wilson Malaysia Sdn Bhd is only 49% and 30%, the Parent Company controls and has the power to direct the relevant activities of the subsidiary, and thereby can significantly affect the returns of the subsidiary.

The Parent Company is Sterling and Wilson Solar Limited ("Ultimate Parent Company"), a public limited company incorporated in India and listed with Securities Exchange Board of India (SEBI). The principal activities of the Group include solar energy systems and components trading and installation. The Group is also engaged in design, engineering, procurement, fabrication, construction, installation, commissioning, testing and handing over of solar generating facilities and other related activities.

2. Adoption of new and revised International Financial Reporting Standards

2.1 New standard and interpretation adopted by the Group during the year

The Group has adopted the following applicable new standard and interpretation as of 1 April 2019:

- a) IFRS 16, 'Leases' is effective for annual periods beginning on or after 1 January 2019. The scope of IFRS 16 includes leases of all assets, with certain exceptions. IFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessor accounting is substantially unchanged from accounting under IAS 17. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective transition approach. The standard's transition provisions permit certain reliefs.

The management has reviewed the impact of the above standard and accordingly has elected to apply the standard using the modified retrospective approach with the initial application date of 1 April 2019. Therefore, the comparative information has not been restated and continues to be reported in accordance with the previous accounting policy.

The details of change in accounting policy and the practical expedients used are disclosed in Notes 3.4 p) and 4.

- b) IFRIC 23, 'Uncertainty over Income Tax Treatment' issued in June 2017 clarifies how to apply the recognition and measurement requirements in IAS 12 'Income Taxes' when there is uncertainty over income tax treatments.
- c) Amendments to IAS 19, 'Employee Benefits' clarify the accounting for defined benefit plan amendments, curtailments and settlements.

Except for IFRS 16, the management believes that the adoption of other amendments/ interpretations effective for the current accounting period has not had any material impact on the recognition, measurement, presentation, and disclosure of items in the consolidated financial statements.

2.2 Amendment to existing Standard that are not yet effective and have not been adopted early by the Group

The following amendments to existing standard and that are applicable to the Group have been published and are mandatory for accounting periods of the Group beginning after 1 April 2019, but which have not been adopted early by the Group:

Amendments to IAS 1, "Presentation of Financial Statements" and IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors" clarify the definition of 'material' across the standards. The new definition states that, 'information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.' The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the consolidated financial statements. The amendments are effective for annual periods commencing on or after 1 January 2020.

STERLING AND WILSON INTERNATIONAL SOLAR FZCO AND ITS SUBSIDIARIES

Consolidated financial statements for the year ended 31 March 2020

2. Adoption of new and revised International Financial Reporting Standards (Continued)

2.2 Amendment to existing Standard that are not yet effective and have not been adopted early by the Group (Continued)

The management believes that the adoption of the above amendment to the existing standard is not likely to have any material impact on the recognition, measurement, presentation, and disclosure of items in the consolidated financial statements for future periods.

3. Basis of preparation and significant accounting policies and estimates

3.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). The consolidated financial statements have been prepared in Arab Emirates Dirham (AED).

3.2 Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis. The principal accounting policies that have been applied consistently by the Group in these consolidated financial statements, except for the adoption of IFRS 16 using the modified retrospective approach as explained in Note 3.4 p) are set out below.

3.3 Basis of consolidation

The consolidated financial statements comprise those of the Parent Company and its subsidiaries listed in Note 1. Subsidiaries which are directly or indirectly controlled by the Group are consolidated. Control is achieved where the Parent Company has power over the investees, that expose or give rights to variable returns from its involvement with the investee, and the Parent Company is able to use its power to affect the amount of returns from the investee. Generally control is achieved with a shareholding of more than one half of the voting rights over the relevant activities of the investee. The existence and effect of potential voting rights that are exercisable or convertible are considered when assessing whether the Parent Company controls another entity.

When the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Parent Company's voting rights and potential voting rights.

Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the date the Parent Company gains control until the date the Parent Company ceases to control the subsidiary.

The consolidated financial statements are based on the financial statements of the subsidiaries drawn up using the standard Group accounting policies. Accounting policies applied by individual subsidiaries have been revised where necessary to ensure consistency with Group policies for consolidation purposes.

All significant intra-group transactions and balances between Group entities are eliminated on consolidation. The Group applies a policy of treating transactions with a non-controlling interest as transactions with equity holders when control of the subsidiary is not lost of the subsidiary. This is therefore reflected in equity. Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss



STERLING AND WILSON INTERNATIONAL SOLAR FZCO AND ITS SUBSIDIARIES

Consolidated financial statements for the year ended 31 March 2020

3. Basis of preparation and significant accounting policies and estimates (Continued)

3.4 Significant accounting policies

a) Revenue recognition

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

Sales of goods

Revenue from the sale of goods is recognised at the point in time when control is transferred to the customer.

Delivery occurs when the goods have been shipped to the specific location, the risks of loss have been transferred to the customer, and either the customer has accepted the products in accordance with the contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied. The normal credit terms are 60 days upon delivery.

Revenue from contracts

Revenue from contracts is recognised over time based on the input method. Under the input method, the extent of progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation. Revenue, including estimated fees or profits, are recorded proportionally as costs are incurred. The related costs are recognised in profit or loss when they are incurred. The payment is generally due within 60 days from the invoice date.

Revenue from consultancy and operation and maintenance services

Revenue from consultancy and operation and maintenance services is recognised over time when the relevant services are rendered. For fixed-price contracts, revenue recognised is based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer simultaneously receives and consumes the benefits provided by the Group. The payment is generally due within 90 days.

In determining the transaction price for its revenue from contracts with customers, the Group considers the effects of variable consideration and existence of significant financing component.

(1) Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at the inception of the contract and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. As of the reporting date, no variable consideration has been identified.

(2) Significant financing component

Advances from customers

When advances are received before the transfer of goods/service to the customer, the customer may be providing the Group with financing. If so, and the financing is significant, the Group accrues interest expenses over the financing period. Consequently, the revenue recognised will exceed the cash received. As of reporting date, the Group considers the financing component in its contracts not significant.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.



STERLING AND WILSON INTERNATIONAL SOLAR FZCO AND ITS SUBSIDIARIES

Consolidated financial statements for the year ended 31 March 2020

3. Basis of preparation and significant accounting policies and estimates (Continued)

3.4 Significant accounting policies (Continued)

b) Contract balances

The timing of revenue recognition, billings and collections may result in contract assets, trade accounts receivable and contract liabilities.

Contract assets

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date. Contract assets are initially recognised for revenue earned on work completed as receipt of consideration is conditional on completion of work done and acceptance by the customer, at which point the contract assets are reclassified to trade accounts receivables.

The contract assets are transferred to trade accounts receivable when the rights become unconditional (i.e. only the passage of time is required before payment of the consideration is due), which usually occurs when the Group issues an invoice to the customer.

Contract liabilities

The contract liabilities primarily relate to the advance consideration received from customers prior to meeting the revenue recognition criteria or when the amount of consideration received from customers exceed the amount of revenue recognised. Contract liabilities are recognised as revenue when the Group performs under the contract.

c) Property and equipment

Property and equipment are stated in the consolidated statement of financial position at cost less accumulated depreciation and any recognised impairment loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

The residual values and useful lives of property and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

Land is not depreciated. Depreciation is charged on assets so as to write off the cost over their estimated useful lives, less estimated residual value, using the straight-line method on the following bases:

Leasehold improvements	3-5 years
Furniture and fixture	3-5 years
Motor vehicles	3-5 years
Office equipment	3-5 years
Machinery, tools and equipment	2-13 years
Right-of-use assets	1-2 years

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated statement of comprehensive income.

d) Intangible assets

Intangible assets of the Group comprise of goodwill and certifications and licenses arising on acquisition of subsidiaries during the previous year (Note 12).

Intangible assets acquired in a business combination is their fair values at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets with finite lives (certifications and licenses) are amortised over the useful economic life of 5-10 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite

Consolidated financial statements for the year ended 31 March 2020

d) Intangible assets (Continued)

The management has adopted the pooling of interest method to account for the business combinations of entities under common control. This method involves the following:

STERLING AND WILSON INTERNATIONAL SOLAR FZCO AND ITS SUBSIDIARIES

Consolidated financial statements for the year ended 31 March 2020

3. Basis of preparation and significant accounting policies and estimates (Continued)

3.4 Significant accounting policies (Continued)

f) Accounting for business combinations involving entities or business under common control (Continued)

- (i) The assets and liabilities of the combining entities are reflected at their carrying amounts.
- (ii) No goodwill is recognised as a result of combination. The only goodwill that is recognised is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid and the equity acquired is reflected directly in the equity as capital reserves.
- (iii) The consolidated statement of comprehensive income reflects the results of the full year irrespective of when the combination took place.

g) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately. Where an impairment loss subsequently reverses (except for goodwill), the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

h) Financial instruments – recognition, classification, measurement, derecognition and offsetting

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Recognition and initial measurement

Trade accounts receivable are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus, for an item not at fair value through profit and loss (FVPL), transaction costs that are directly attributable to its acquisition or issue.

All regular way purchases or sales of financial assets are recognised or derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

(ii) Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at:

- amortised cost;
- Fair value through other comprehensive income (FVOCI) – debt investment;
- Fair value through other comprehensive income (FVOCI) – equity investment; or
- Fair value through profit or loss (FVPL).

STERLING AND WILSON INTERNATIONAL SOLAR FZCO AND ITS SUBSIDIARIES

Consolidated financial statements for the year ended 31 March 2020

3. Basis of preparation and significant accounting policies and estimates (Continued)

3.4 Significant accounting policies (Continued)

h) Financial instruments – recognition, classification, measurement, derecognition and offsetting (Continued)

(ii) Classification and subsequent measurement (Continued)

In order for a financial asset to be classified and measured at amortised cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refer to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the assets, or both.

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Group changes its business model for managing financial assets.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVPL:

- i. the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- ii. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVPL:

- iii. the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- iv. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI (designated as FVOCI – equity investment). This election is made on an investment-by-investment basis.

All financial assets not classified or measured at amortised cost or FVOCI as described above are measured at FVPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI or at FVPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The Group's financial assets are classified and subsequently measured at amortised cost includes accounts and other receivables and bank and cash balances.

Financial assets: Subsequent measurement and gains and losses

• Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in the consolidated statement of comprehensive income. Any gain or loss on derecognition is recognised in the consolidated statement of comprehensive income.

STERLING AND WILSON INTERNATIONAL SOLAR FZCO AND ITS SUBSIDIARIES

Consolidated financial statements for the year ended 31 March 2020

3. Basis of preparation and significant accounting policies and estimates (Continued)
- 3.4 Significant accounting policies (Continued)
- h) Financial instruments – recognition, classification, measurement, derecognition and offsetting (Continued)
- (ii) Classification and subsequent measurement (Continued)

Financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVPL. A financial liability is classified as at FVPL if it is classified as held-for-trading, it is designated as such on initial recognition. Financial liabilities at FVPL are measured at fair value and net gains and losses, including any interest expense, are recognised in the consolidated statement of comprehensive income. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in the consolidated statement of comprehensive income. Any gain or loss on derecognition is also recognised in the consolidated statement of comprehensive income.

The Group's financial liabilities which include term loans, bank borrowings, accounts and other payables, lease liability and retention payables are classified and measured at amortised cost.

(iii) Derecognition

Financial assets

A financial asset (or where applicable a part of a financial asset or a part of group of similar financial assets) is derecognised either when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Where the Group has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated statement of comprehensive income.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

i) Impairment of financial assets

A financial asset is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

STERLING AND WILSON INTERNATIONAL SOLAR FZCO AND ITS SUBSIDIARIES

Consolidated financial statements for the year ended 31 March 2020

3. Basis of preparation and significant accounting policies and estimates (Continued)

3.4 Significant accounting policies (Continued)

i) Impairment of financial assets (Continued)

The Group applies expected credit losses (ECL) model for measurement and recognition of loss allowance on the following:

- Trade accounts receivable and contract assets; and
- Other financial assets measured at amortised cost.

In case of trade accounts receivable and contract assets, the Group follows a simplified approach wherein an amount equal to lifetime ECL is measured and recognised as loss allowance. For all other financial assets, expected credit losses are measured at an amount equal to the 12 month ECL, unless there has been a significant increase in credit risk from initial recognition in which case those are measured at lifetime of ECL.

ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the entity expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate. Lifetime ECL are the expected credit losses resulting from all possible defaults events over the expected life of a financial asset. 12 month ECL are a portion of the lifetime ECL which result from default events that are possible within 12 months from the reporting date. ECL are measured in a manner that they reflect unbiased and profitability weighted amounts determined by a range of outcomes, taking into account the time value of money and other reasonable information available as a result of past events, current conditions and forecasts of future economic conditions.

The amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised is recognised as an impairment gain or loss in the consolidated statement of comprehensive income.

j) Inventories

Inventories are stated at lower of cost or net realisable value, after making due allowance for any obsolete or slow moving items. Cost is determined on weighted average cost basis and consists of aggregate of purchase price and other related expenses incurred to bring the inventories to their present location and condition. Net realisable value is based on estimated selling price less any further costs expected to be incurred on disposal.

k) Employees' terminal benefits

Provision is made for employees' terminal benefits which is a defined benefit plan on the basis prescribed under the labour laws of the countries in which the Group operates and is based on employees' salaries and number of years of service using actuarial techniques.

The cost of providing benefits is determined based on actuarial valuation by an independent actuary, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and remeasure each unit separately to build up the final obligation. The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plan are set with reference to high quality corporate bonds. Remeasurement, comprising actuarial gains and losses arising from experience adjustments and changes in assumptions are recognised immediately in other comprehensive income. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost are recognised immediately. All other costs related to the defined benefit plan are recognised in the profit or loss statement within salaries and employee related costs.

The terminal benefits are paid to employees on termination or completion of their term of employment. Accordingly, the Group has no expectation of settling its employees' terminal benefits obligation in the near future.

STERLING AND WILSON INTERNATIONAL SOLAR FZCO AND ITS SUBSIDIARIES

Consolidated financial statements for the year ended 31 March 2020

3. Basis of preparation and significant accounting policies and estimates (Continued)

3.5 Significant accounting policies (Continued)

l) Accounts and other payables

Liabilities are recognised for amounts to be paid in the future for goods or services received whether or not billed to the Group.

m) Loans and borrowings

After initial recognition at fair value net of directly attributable transaction costs, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated statement of comprehensive income when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

n) Foreign currencies

Functional and presentation currency

The consolidated financial statements are presented in Arab Emirates Dirham (AED), which is the Group's presentation currency. The functional currency of the Parent Company is USD and each subsidiary determines its functional currency and items included in the financial statements of each entity are measured using the functional currency.

Transactions and balances

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Exchange differences arising in these cases are dealt within the consolidated statement of comprehensive income.

In determining the spot exchange rate to use on initial recognition of the related assets, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

Translation of the financial statements of foreign subsidiaries

The Group's presentation currency is AED. The financial statements of foreign subsidiaries are translated into AED using exchange rates in effect at period end for assets and liabilities and average exchange rates during the reporting period for results of operations. Adjustments, resulting from translation of financial statements are reflected as a separate component of shareholder's equity in a foreign currency translation reserve.

o) Cash and cash equivalents

Cash and cash equivalents consist of unrestricted bank and cash balances less margin money deposits under lien and restricted escrow bank account.

p) Operating leases

The Group has adopted IFRS 16 using the modified retrospective transition approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4 issued by the International Financial Reporting Interpretations Committee (Note 2.1). The impact of change in accounting policy on adoption of IFRS 16 and the practical expedients used are detailed in Note 4.

Policy applicable from 1 April 2019

At the inception of the contract, the Group assesses whether a contract is or contains a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this maybe specified explicitly or implicitly in the contract and should be physically distinct or represent substantially all the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not an identified asset;

STERLING AND WILSON INTERNATIONAL SOLAR FZCO AND ITS SUBSIDIARIES

Consolidated financial statements for the year ended 31 March 2020

3. Basis of preparation and significant accounting policies and estimates (Continued)

3.4 Significant accounting policies (Continued)

p) Operating leases (Continued)

- the Group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset, i.e., the Group has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
 - the Group has the right to operate the asset; or
 - the Group designed the asset in a way that predetermines how and for what purpose it will be used

This policy is applied to contracts entered into, or changed, on or after 1 April 2019.

As a Lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date.

Right-to-use asset

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct cost incurred and an estimate of costs to dismantle and remove the underlying asset to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use of asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment (Note 3.4 c)). In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Lease liability

Lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

At the commencement date, the lease payments included in the measurement of the lease liability comprise fixed payments (including in-substance fixed payments) less any lease incentive receivable for the right to use the underlying asset during the lease term that are not paid at the commencement date.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in fixed payments (including in-substance fixed payments) or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured as described above, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Lease and non-lease components

At the inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to the identified components based on the relative stand-alone prices of the lease components and the aggregate of the non-lease components, and account for non-lease components in accordance with the applicable accounting standards.

Extension and termination options

Where extension and termination options are included in the lease contracts, these are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The extension option held is exercisable by mutual consent of lessor and lessee. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise options if there is a significant event or significant change in circumstances within its control.

STERLING AND WILSON INTERNATIONAL SOLAR FZCO AND ITS SUBSIDIARIES

Consolidated financial statements for the year ended 31 March 2020

3. Basis of preparation and significant accounting policies and estimates (Continued)

3.4 Significant accounting policies (Continued)

p) Operating leases (Continued)

Short-term leases

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of staff accommodation and offices that have a lease term of 12 months or less. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term

Policy applicable before 1 April 2019

Rentals payable under operating leases are charged to the consolidated statement of comprehensive income on a straight-line basis over the term of the relevant lease.

q) Taxation

Income tax comprises current and deferred tax. It is recognised in the consolidated statement of comprehensive income except to the extent that it relates to a business combination or to an item recognised directly in equity or in other comprehensive income.

Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the period and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax reflects the best estimate of the tax amount expected to be paid or received after considering the uncertainty, if any, related to income taxes. It is measured using applicable tax rates (and tax laws) enacted or substantively enacted by the reporting date.

Current tax assets and current tax liabilities are offset only if there is a legally enforceable right to set off the recognised amounts, and it is intended to realise the asset and settle the liability on a net basis or simultaneously.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for taxation purposes. Deferred tax is also recognised in respect of carried forward tax losses and tax credits.

Deferred tax is not recognised for:

- temporary differences arising on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss at the time of the transaction;
- temporary differences related to investments in subsidiaries and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which they can be used. The existence of unused tax losses is strong evidence that future taxable profit may not be available. Therefore, in case of a history of recent losses, the Group recognises a deferred tax asset only to the extent that it has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which such deferred tax asset can be realised. Deferred tax assets – unrecognised or recognised, are reviewed at each reporting date and are recognised/ reduced to the extent that it is probable/ no longer probable respectively that the related tax benefit will be realized.

Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the laws that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.



STERLING AND WILSON INTERNATIONAL SOLAR FZCO AND ITS SUBSIDIARIES

Consolidated financial statements for the year ended 31 March 2020

3. Basis of preparation and significant accounting policies and estimates (Continued)

3.4 Significant accounting policies (Continued)

q) Taxation (Continued)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

r) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from the past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

Contingent liabilities are not recognised but are disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as provision.

3.5 Significant accounting judgement, estimates and assumptions

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revisions affect both current and future periods.

The key assumptions and judgements concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

IFRS 15, Revenue from contracts with customers

The application of revenue recognition policy in accordance with IFRS 15 has required management to make the following judgments:

Satisfaction of performance obligation

The Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine appropriate method of recognising revenue. For the Group's revenue from contracts with customers, the satisfaction of performance obligation are determined as follows:

- a) *Sale of goods* – revenue is recognised at the point in time when control is transferred to the customer, normally upon delivery of the goods
- b) *Revenue from contracts* – revenue is recognised over time as the Group creates/enhances an asset the customer controls
- c) *Revenue from consultancy and operation and maintenance services* – revenue is recognised over time as the customer receives and consumes the benefits provided by the Group's performance of service.

Determination of transaction prices

The Group is required to determine the transaction prices in respect of each of its contracts with customers. In making such judgment, the Group assess the impact of any variable consideration in the contract, due to discounts or penalties, the existence of any significant financing component in the contract and any non-cash consideration in the contract.

Allocation of transaction price to performance obligation in contracts with customers

The Group has elected to apply the input method in allocating the transaction price to performance obligations relating to revenue from contracts. The Group considers that the use of input method which requires revenue

Consolidated financial statements for the year ended 31 March 2020

3.5 Significant accounting judgement, estimates and assumptions (Continued)

recognition on the basis of the Group's efforts to the satisfaction of the performance obligation provides the best reference of revenue actually earned. In applying the Input method, the Group estimates the cost to complete the project in order to determine the amount of revenue to be recognised. The estimates include the job work charges, potential claims by contractors and the cost of meeting other contractual obligations to the customers.

The Group is required to apply judgment in determining whether a financing component within a contract is significant. In making such judgment, the Group considers all relevant facts and circumstances, including:

- ### Impairment of inventories

Inventories are held at the lower of cost or net realisable value. When inventories become old or obsolete, an estimate is made on their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

A decline in the value of property and equipment and intangible assets could have a significant effect on the amounts recognised in the consolidated financial statements. Management assesses the impairment of property and equipment and intangible assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Factors that are considered important which could trigger an impairment review include the following:

- significant changes in the technology and regulatory environments
- evidence from internal reporting which indicates that the economic performance of the asset is, or will worse than expected

The carrying value of the employees' terminal benefits is based on actuarial valuations. The actuarial valuations by an independent actuary using a project unit credit method are sensitive to assumptions concerning discount rates, salary increase rates, and other actuarial assumptions used. Changes in these assumptions may have an effect on the carrying amount of employees' terminal benefit obligation.

The discount rates used for determining the present value of the obligation under defined benefit plan are set with reference to high quality corporate bonds.

Other key assumptions relevant to the post employment benefit obligations are based in part on current market conditions. Additional disclosures concerning these obligations are provided in Note 24.



STERLING AND WILSON INTERNATIONAL SOLAR FZCO AND ITS SUBSIDIARIES

Consolidated financial statements for the year ended 31 March 2020

3. Basis of preparation and significant accounting policies and estimates (Continued)

3.5 Significant accounting judgement, estimates and assumptions (Continued)

Useful lives of property and equipment and intangible assets

The Group's management determines the estimated useful lives of its property and equipment and intangible assets for calculating depreciation and amortisation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation and amortisation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Deferred tax asset

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary difference, to the extent that it is possible that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee. During the current financial year, there has been no revision in the lease terms.

Use of incremental rate of borrowing

For measuring the lease liability, the Group discounted the lease payments based on its incremental rate of borrowing as on 1 April 2019 in the respective countries in which the Group operates, i.e. 6% per annum. The definition of incremental borrowing rate states that the rate should reflect what the Group would be charged to borrow over a similar term and under similar circumstances. To determine an appropriate rate, the Group has obtained the relevant information from its bankers.

4. Impact on significant changes in accounting policies

The Group has adopted IFRS 16 using the modified retrospective transition approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4.

On transition to IFRS 16, the Group elected to apply the practical expedient and applies IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16, "Leases" was applied only to contracts entered into or changed on or after 1 April 2019.

For leases classified as operating leases under IAS 17, the Group as a lessee:

- Recognises a lease liability at the date of initial application for leases previously classified as an operating lease applying IAS 17. Lease liabilities are measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application;
- Recognises a right-of-use asset at the date of initial application for leases previously classified as an operating lease applying IAS 17. The right-of-use assets are measured at either:
 - their carrying amount as if IFRS 16 had been applied since the commencement date, but discounted using the Group's incremental borrowing rate at the date of initial application; or
 - an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position immediately before the date of initial application.

STERLING AND WILSON INTERNATIONAL SOLAR FZCO AND ITS SUBSIDIARIES

Consolidated financial statements for the year ended 31 March 2020

4. Impact on significant changes in accounting policies (Continued)

On transition, the Group has elected to:

- Measure the right-to-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position immediately before the date of initial application;
- Apply a single discount rate to a portfolio of leases with similar characteristics;
- Apply the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term;
- Use hindsight when determining the lease term and assess if the contract contains options to extend or terminate the lease.

When measuring the lease liability, the Group discounts the lease payments using its incremental borrowing rate at 1 April 2019.

For leases previously classified as operating leases the Group has, on transition date, recognised as follows:

	Property and equipment
Operating lease commitments as at 1 April 2019	2,632,137
Total undiscounted lease liabilities as at 1 April 2019	2,632,137
<i>Initial recognition of lease liabilities</i>	
Lease liability – discounted using the incremental borrowing rate as at 1 April 2019	2,012,396
Initial recognition of lease liability as at 1 April 2019 (Note 28)	2,012,396
<i>Initial recognition of right-of-use asset</i>	
Lease liability (as measured above)	2,012,396
Add: prepayments	384,263
Right-of-use assets as at 1 April 2019 (Note 11)	2,396,659

5. Revenue from contracts with customers

The following sets out the disaggregation of the Group's revenue from contracts with customers:

a) Type of goods or services

	Year ended 31 March 2020	Year ended 31 March 2019
Sale of goods	1,111,146,416	776,863,704
Revenue from contracts	274,978,331	1,067,868,677
Revenue from operation and maintenance services	21,661,094	8,099,807
Revenue from consultancy services	29,785,801	24,528,960
	1,437,571,642	1,877,361,148

b) Timing of satisfaction of performance obligation

	Year ended 31 March 2020	Year ended 31 March 2019
Goods transferred at point in time	1,111,146,416	776,863,904
Goods and services transferred over time	326,425,226	1,100,497,244
	1,437,571,642	1,877,361,148

All remaining performance obligations are expected to be recognised within one year, hence the Group has used the practical expedient not to disclose the amount of the remaining performance obligations for contracts with an original term or duration of less than one year.

STERLING AND WILSON INTERNATIONAL SOLAR FZCO AND ITS SUBSIDIARIES

Consolidated financial statements for the year ended 31 March 2020

5. Revenue from contracts with customers (Continued)

c) Geographical locations

	Year ended 31 March 2020	Year ended 31 March 2019
Middle East	74,364,353	1,013,121,813
Africa	5,818,084	564,099,932
Asia	1,089,969,167	265,185,831
United States	99,487,629	31,367,991
Australia	167,932,409	3,585,581
	1,437,571,642	1,877,361,148

d) Customer relationship

	Year ended 31 March 2020	Year ended 31 March 2019
Third party customers	333,130,914	62,846,671
Related party customers (Note 30)	1,104,440,728	1,814,514,477
	1,437,571,642	1,877,361,148

6. Direct costs

	Year ended 31 March 2020	Year ended 31 March 2019
Material purchases	1,156,253,846	1,246,245,247
Contract costs	69,689,415	282,284,259
Salaries and employee related costs	40,306,689	33,263,932
Depreciation (Note 11)	48,733	1,143,482
Others	32,670,301	27,781,907
	1,298,968,984	1,590,718,827

7. Other income

	Year ended 31 March 2020	Year ended 31 March 2019
Interest income on loan to a related party (Note 30)	23,630,129	33,489,864
Scrap sales	80,305	657,199
Interest on bank deposits	498,653	400,687
Profit on sale of property and equipment	35,683	--
Liabilities written back	858,351	--
Claim from suppliers	2,156,361	--
Others	324,862	224,315
	27,584,164	34,772,065

8. General and administration expenses

	Year ended 31 March 2020	Year ended 31 March 2019
Salaries and employee related costs	51,620,664	38,719,958
Legal and professional fees	7,903,241	8,899,286
Loss on foreign currency exchange	5,949,012	1,157,110
Rental expenses (IAS 17) (Note 28)	--	2,302,490
Short term leases (Note 28)	1,332,141	--
Insurance	2,691,935	2,098,485
Travelling and conveyance	3,391,029	2,689,265
Communication	1,020,923	1,318,802
Depreciation (Note 11)	3,723,930	1,079,117
Printing and stationery	255,506	256,759
Management support fee (Note 30)	299,662	64,973
Amortisation of intangible assets (Note 12)	59,056	16,242
Others	6,286,906	4,051,163
	84,534,005	62,653,650

STERLING AND WILSON INTERNATIONAL SOLAR FZCO AND ITS SUBSIDIARIES

Consolidated financial statements for the year ended 31 March 2020

9. Finance charges

	Year ended 31 March 2020	Year ended 31 March 2019
Interest expense – shareholder (Notes 20, 21 and 30)	16,333,429	16,905,873
Interest expense – term loans and bank borrowings	22,595,661	10,045,881
Interest expenses – related party (Note 30)	1,034,119	5,530,919
Interest expense – others	1,114,223	--
Interest on lease liability (Note 28)	88,323	--
Bank charges	3,285,435	6,871,741
	<u>44,451,190</u>	<u>39,354,414</u>

10. Taxation

The Parent Company is not subject to income tax in its country of incorporation. The income tax charge relates to the overseas taxes where the Group has its operations. Details of provision for tax are as follows:

	Year ended 31 March 2020	Year ended 31 March 2019
Current tax expense	36,082	56,184
Deferred tax income	(3,874,575)	(606,032)
Tax expenses/(income)	<u>(3,838,493)</u>	<u>(549,848)</u>

Current tax expense relates to operations of subsidiaries in Spain and United States of America. Current tax expense is against the taxable profit of Spain of AED 5,012 at 25% tax rate resulting to a current tax expense of AED 1,252 and current tax expense of AED 34,830 which is the minimum income tax levied to the US subsidiary. The amounts represent the state tax levied on each office of the US subsidiary in an amount equal to the minimum tax due.

Deferred tax asset movement during the year is as follows:

	2020	2019
Balance at the beginning of the year	1,237,099	798,389
Increase in tax loss available for set off against future taxable income	3,905,937	498,876
Deductible temporary difference movement on leave pay accrual	9,238	4,388
Taxable difference on prepayments	(48,444)	(32,814)
Temporary difference on income in advance	7,844	135,582
Deferred tax income	3,874,575	606,032
Translation adjustment	(471,412)	(167,322)
Balance at the end of the year	<u>4,640,262</u>	<u>1,237,099</u>

Income tax receivable at the reporting date is as follows:

	2020	2019
Balance at the beginning of the year	444,674	509,924
Excess tax payment	--	29,215
Translation adjustment	(56,560)	(94,465)
Balance at the end of the year	<u>388,114</u>	<u>444,674</u>

The Group has unused tax losses available for set off against future taxable income which was not recognised as part of deferred tax assets amounting to AED 13,483,157 (2019: AED 7,404,111) because it is not probable that future taxable profit will be available against which the Group can use the benefits therefrom.



STERLING AND WILSON INTERNATIONAL SOLAR FZCO AND ITS SUBSIDIARIES

Consolidated financial statements for the year ended 31 March 2020

11. Property and equipment

2020	Land	Leasehold improvements	Furnitures and fixture	Motor vehicles	Office equipment	Machinery, tools and equipment	Right-of-use assets	Total
<i>Cost</i>								
At 1 April 2019	96,710	1,801,383	307,244	2,248,129	6,442,816	2,286,573	--	13,182,855
Arising on adoption of IFRS 16 (Note 4)	--	--	--	--	--	--	2,396,659	2,396,659
At 1 April 2019 (restated)	96,710	1,801,383	307,244	2,248,129	6,442,816	2,286,573	2,396,659	15,579,514
Additions during the year	--	--	4,852	--	610,565	527,550	--	1,142,967
Disposals during the year	--	--	--	(2,017,343)	(117,481)	(2,084,873)	--	(4,219,697)
Transfer from related party	--	--	11,250	132,158	34,088	--	--	177,496
Translation adjustment	(14,610)	(7,291)	(348)	(147,586)	(68,235)	(159,330)	--	(397,400)
At 31 March 2020	82,100	1,794,092	322,998	215,358	6,901,753	569,920	2,396,659	12,282,880
<i>Accumulated depreciation</i>								
At 1 April 2019	--	580,960	98,314	1,507,529	1,868,828	1,699,589	--	5,755,220
Charge for the year	--	479,991	82,047	110,958	1,623,114	96,639	1,379,914	3,772,663
Relating to disposals	--	--	--	(1,427,586)	(8,205)	(1,615,120)	--	(3,050,911)
Relating to transfer from related party	--	--	3,955	68,191	15,967	--	--	88,113
Translation adjustment	--	--	(2)	(100,089)	(17,083)	(115,882)	--	(233,056)
At 31 March 2020	--	1,060,951	184,314	159,003	3,482,621	65,226	1,379,914	6,332,029
<i>Net book value</i>								
At 31 March 2020	82,100	733,141	138,685	56,355	3,419,132	504,694	1,016,744	5,950,851

2019	Land	Leasehold improvements	Furnitures and fixture	Motor vehicles	Office equipment	Machinery, tools and equipment	Right-of-use assets	Total
<i>Cost</i>								
At 1 April 2018	--	--	--	--	4,914,307	5,246	--	4,919,553
Arising on acquisition of a subsidiary (Note 22)	--	54,212	--	2,148,168	--	2,220,079	--	4,422,459
Additions during the year	96,710	306,856	190,438	86,326	1,526,526	50,123	--	2,256,979
Transfer from capital work-in-progress (Note 13)	--	1,439,971	--	--	--	--	--	1,439,971
Transfer from related party	--	--	116,806	--	58,484	--	--	175,290
Disposals during the year	--	--	--	--	(30,523)	(2,010)	--	(32,533)
Translation adjustment	--	344	--	13,635	(25,978)	13,135	--	1,136
At 31 March 2019	96,710	1,801,383	307,244	2,248,129	6,442,816	2,286,573	--	13,182,855
<i>Accumulated depreciation</i>								
At 1 April 2018	--	--	--	--	426,204	2,275	--	428,479
Arising on acquisition of a subsidiary (Note 22)	--	--	--	1,424,347	--	1,650,332	--	3,074,679
Charge for the year	--	580,960	70,538	74,469	1,459,015	37,617	--	2,222,599
Transfer from related party	--	--	27,776	--	9,590	--	--	37,366
Relating to disposals	--	--	--	--	(15,123)	--	--	(15,123)
Translation adjustment	--	--	--	8,713	(10,858)	9,365	--	7,220
At 31 March 2019	--	580,960	98,314	1,507,529	1,868,828	1,699,589	--	5,755,220
<i>Net book value</i>								
At 31 March 2019	96,710	1,220,423	208,930	740,600	4,573,988	586,984	--	7,427,635

STERLING AND WILSON INTERNATIONAL SOLAR FZCO AND ITS SUBSIDIARIES

Consolidated financial statements for the year ended 31 March 2020

11. Property and equipment (Continued)

- a) Right-of-use assets represent office spaces taken on non-cancellable operating lease (Notes 3.4 p) and 4) with lease terms between 1 to 2 years.
- b) The depreciation charge is allocated as follows:

	Year ended 31 March 2020	Year ended 31 March 2019
Direct costs (Note 6)	48,733	1,143,482
General and administration expenses (Note 8)	3,723,930	1,079,117
	<u>3,772,663</u>	<u>2,222,599</u>

12. Intangible assets

During the previous year, the Group acquired two subsidiaries in Australia and Kazakhstan (Note 22) resulting to the following intangible assets:

2020	Goodwill	Certification and licenses	Total
<i>Cost</i>			
At 1 April 2019	1,650,212	403,557	2,053,769
At 31 March 2020	1,650,212	403,557	2,053,769
<i>Accumulated amortisation</i>			
At 1 April 2019	--	16,242	16,242
Charge for the year (Note 8)	--	59,056	59,056
At 31 March 2020	--	75,298	75,298
<i>Net book value</i>			
At 31 March 2020	1,650,212	328,259	1,978,471
 2019			
<i>Cost</i>			
Arising on acquisition of subsidiaries (Note 22)	1,650,212	403,557	2,053,769
At 31 March 2019	1,650,212	403,557	2,053,769
<i>Accumulated amortisation</i>			
Charge for the year (Note 8)	--	16,242	16,242
At 31 March 2019	--	16,242	16,242
<i>Net book value</i>			
At 31 March 2019	1,650,212	387,315	2,037,527

13. Capital work-in-progress

Capital work-in-progress represents expenditure incurred on leasehold improvements for a leasehold improvements of office premises. Upon completion, the related expenditure will be transferred to property and equipment.

	2020	2019
At the beginning of the year	--	1,439,971
Additions during the year	413,433	--
Transferred to property and equipment during the year	--	(1,439,971)
At the end of the year	413,433	--

14. Contract assets

Contract assets represent unbilled receivables on revenue recognised during the year, which upon invoicing will be transferred to trade accounts receivable.

	2020	2019
Contract assets	64,115,964	57,810,134
	<u>64,115,964</u>	<u>57,810,134</u>

The majority of the balance as of the reporting date represents the unbilled receivables of the Group from its Solar EPC projects in Australia and UAE.

STERLING AND WILSON INTERNATIONAL SOLAR FZCO AND ITS SUBSIDIARIES

Consolidated financial statements for the year ended 31 March 2020

15. Accounts and other receivables

	2020	2019
Trade accounts receivable		
- third parties	109,282,054	89,534,160
- related parties	908,820,261	977,927,168
Due from related parties (funding)	3,864,314	36,641
Loan to a related party	325,457,642	370,024,520
Advances to suppliers/contractors	14,159,842	10,053,529
Deposits and prepayments	15,210,678	11,840,363
Insurance claim receivables	54,677	2,319,301
Other receivables	18,784,740	3,012,251
	1,395,634,208	1,464,747,933

- a) Trade accounts receivable is subject to a charge for facilities granted to the Group (Note 26).
- b) The Group's assessment of expected credit losses on due from related parties – trading and funding, loan to a related party, advances, deposits, insurance claims and other receivables are considered recoverable at the reporting date (Note 31.1 c)).
- c) Effective 1 April 2019 till 14 November 2019, the loan to a related party carries interest rate at 7.5% per annum and from 15 November 2019 to 31 March 2020 at 8% (2019: 7%) per annum. The loan is unsecured and is repayable on demand. Subsequent to the reporting date, the Parent Company has demanded the loan to be repaid together with all interest accrued and unpaid (up to date of repayment) latest by 30 September 2020.
- d) Trade accounts receivable and amounts due from related parties are considered collectible based on historic experience. It is not the practice of the Group to obtain collateral over receivables.
- e) Other receivables include an amount of AED 17.289 million which represents the cost incurred in relation to additional supply made by the Company to compensate a customer for deficiencies in the products supplied under the terms of the contract with a customer. The Company has incurred AED 17.289 million as at the reporting date and will incur (after the reporting date) an estimated total cost to the tune of AED 51.94 million (USD 14.15 million) for the supply and installation of additional works. The management is of the view that the Company, under the terms of the Supply Agreement with its supplier has reasonable grounds to claim against the supplier for the costs incurred (or to be incurred after the reporting date) totaling to AED 51.94 million to complete the additional works. The management's view is also endorsed and supported by a legal opinion obtained from an external law firm. Accordingly, the management is confident that the amount of AED 17.289 million (incurred as at 31 March 2020) is fully recoverable.

16. Bank and cash balances

	2020	2019
Cash on hand	17,202	43,654
Bank current accounts	118,453,194	30,324,026
Escrow account relating to acquisition of a subsidiary	--	3,407,156
Margin money deposits	12,585,046	7,365,855
Short-term deposits	1,888,470	21,426,523
Bank and cash balances	132,943,912	62,567,214
Less: Escrow account relating to acquisition of a subsidiary	--	(3,407,156)
Less: Fixed deposits	--	(4,530,447)
Less: Margin money deposits under lien	(12,585,046)	(7,365,855)
Cash and cash equivalents in the consolidated statement of cash flows	120,358,866	47,263,756

Short-term deposits are placed with a commercial bank and attracts interest between 2.05% to 4% (2019: 4.9%) per annum.

Margin money deposits are subject to a charge for the facilities granted to the Group (Note 26).

Escrow account represents the purchase consideration payable by the Group on acquisition of a subsidiary in Australia as per the conditions prescribed in the share purchase and shareholders agreement (SPA). Purchase consideration has been settled during the year as per the SPA (Note 22).

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes:

STERLING AND WILSON INTERNATIONAL SOLAR FZCO AND ITS SUBSIDIARIES

Consolidated financial statements for the year ended 31 March 2020

16. Bank and cash balances (Continued)

2020	1 April 2019	Financing cash flows	31 March 2020
Bank borrowings	105,537,877	7,833,563	113,371,440
Term loans	452,576,209	(258,108,145)	194,468,064
	558,114,086	(250,274,582)	307,839,504

2019	1 April 2018	Financing cash flows	31 March 2019
Bank borrowings	66,640,188	38,897,689	105,537,877
Term loans	--	452,576,209	452,576,209
	66,640,188	491,473,898	558,114,086

17. Share capital

	2020	2019
Authorised, issued and fully paid (1,000 shares of AED 1,000 each)	1,000,000	1,000,000
	1,000,000	1,000,000

18. Legal reserve

As required by the Federal Law No. (2) of 2015 relating to commercial companies in the UAE, 10% of the profit for the year relating to a subsidiary registered in UAE is to be transferred to a legal reserve. Since the balance in legal reserve is 50% of the share capital of the subsidiary, the minimum prescribed by the aforesaid Law, the shareholder has resolved to suspend further transfers. The reserve is not available for distribution, except as stipulated in the said Law.

19. Capital reserve

Capital reserve represents excess of purchase consideration paid over net book value of asset acquired for acquisition of Sterling and Wilson Middle East Solar Energy L.L.C in the previous period, which was under common control of the ultimate shareholder of the Parent company before and after the transaction.

20. Shareholder's current account

This represents amount credited to shareholder's current account pursuant to a resolution of the shareholder of the Parent company to convert its loan into equity with retrospective effect from 31 March 2018. This balance carries interest at 8% (2019: 9.5%) per annum. As at the reporting date, the legal formalities to convert this balance into equity is still pending.

21. Shareholder's loan

Shareholder's loan is unsecured, carries interest at 8% (2019: 9.5%) per annum, without defined repayment arrangement and is repayable only at the option of the Parent Company.

22. Business combination

Acquisition of subsidiaries in the previous year

During the previous year, the Group has acquired the following two subsidiaries:

Name of subsidiary	Country of registration and principal place of business	Proportion of ownership interest held by the Group
GCO Electrical Pty Ltd.	Australia	76%
Sterling and Wilson International LLP (formerly A&S Company LLP)	Kazakhstan	100%

STERLING AND WILSON INTERNATIONAL SOLAR FZCO AND ITS SUBSIDIARIES

Consolidated financial statements for the year ended 31 March 2020

22. Business combination (Continued)

Acquisition of subsidiary in Kazakhstan

During the previous year, the Group acquired 100% ownership interest in Sterling and Wilson International LLP (formerly A&S Company LLP) in Kazakhstan for a total consideration of USD 60,000 (equivalent to AED 220,320).

The fair values of the assets and liabilities of Sterling and Wilson International LLP (formerly A&S Company LLP) as at the date of acquisition were as follows:

	Amount
Accounts and other receivables	3,765
Net identifiable assets acquired	3,765
Add: Intangible asset (Construction license) arising on acquisition (Note 12)	216,555
Purchase consideration paid in cash	220,320

The management of the Group has allocated the excess of purchase consideration over the net identifiable assets acquired to the expected synergies arising from a construction license held by Sterling and Wilson International LLP (formerly A&S Company LLP).

From the date of acquisition, Sterling and Wilson International LLP (formerly A&S Company LLP) did not contribute any amount to the revenue and profit of the Group.

Acquisition of subsidiary in Australia

Effective 31 December 2018, the Group acquired 76% ownership interest in GCO Solar Pty Ltd. (Formerly known as "GCO Electrical Pty Ltd), Australia.

The fair values of the assets and liabilities of GCo Solar Pty Ltd. as at the date of acquisition are as follows:

	Amount
Property and equipment	1,347,780
Inventories	730,379
Accounts and other receivables	2,187,356
Bank and cash balances	339,431
Loan from shareholder	(666,946)
Accounts and other payables	(2,993,062)
Net identifiable assets acquired	944,938
Less: Non-controlling interest	(226,785)
Add: Intangible asset (Certification and licenses) arising on acquisition (Note 12)	187,002
Share of net assets at fair value	905,155
Less: Purchase consideration payable in cash	2,555,367
Goodwill (Note 12)	1,650,212

For the non-controlling interest, the Group has elected to recognise the non-controlling interest at its proportionate share of the acquired net identifiable assets.

Acquisition related costs (included in general and administrative expenses) amount to AED 468,209.

The purchase consideration payable by the Parent Company was transferred to an escrow account as per the share purchase and shareholders agreement ("the agreement"). During the year, the purchase consideration was settled as per the agreement.

As per the agreement, if in the 3 financial years following 6 December 2018, the subsidiary is able to set off its assessable profit against its carried forward tax losses which have accrued prior to 6 December 2018, the Parent Company shall pay to the sellers an amount equal to 76% of the tax benefit which accrues to GCo Electrical Pty Ltd due to the set off of the accrued losses.

In the opinion of the management, the estimated amount of tax benefits payable are not material as at the reporting date.



STERLING AND WILSON INTERNATIONAL SOLAR FZCO AND ITS SUBSIDIARIES

Consolidated financial statements for the year ended 31 March 2020

23. Non-controlling interests

2020	GCo Solar Pty Ltd, Australia	Sterling and Wilson Engineering (Pty) Ltd., South Africa	Renovable Energia Contracting, S.L., Spain	Total
Non-controlling interests	24%	40%	1%	
Attributable to non-controlling interests:				
Loss for the year	(792,133)	(1,517,592)	--	(2,309,725)
Total comprehensive loss for the year	(689,075)	(1,030,276)	--	(1,719,351)
Accumulated non-controlling interests	(1,035,857)	(2,736,883)	180	(3,772,560)

Summarised financial information of the above subsidiaries is as follows:

Non-current assets	103,805	2,055,848	1,130,797	3,290,450
Current assets	6,629,528	43,117,251	5,861,185	55,607,964
Total assets	6,733,333	45,173,099	6,992,182	58,898,614
Current liabilities	11,049,400	52,015,307	8,700,304	71,765,011
Total liabilities	11,049,400	52,015,307	8,700,304	71,765,011
Net liabilities	(4,316,067)	(6,842,208)	(1,708,124)	(12,866,397)
Revenue	21,426,672	6,084,000	4,703,109	32,213,781
(Loss) for the year	(3,300,555)	(3,793,981)	(512,735)	(7,607,271)
Total comprehensive (loss) for the year	(2,871,149)	(2,575,689)	(491,436)	(5,938,274)

Summarised cash flow information:

Operating activities	(3,526,668)	(701,104)	--	(4,227,772)
Investing activities	(138,640)	(8,984)	--	(147,624)
Financing activities	3,788,530	1,693,875	--	5,482,405
Net increase in cash and cash equivalents	123,122	983,887	--	1,107,009

2019	GCo Solar Pty Ltd, Australia	Sterling and Wilson Engineering (Pty) Ltd., South Africa	Renovable Energia Contracting, S.L., Spain	Total
Non-controlling interests	24%	40%	1%	
Attributable to non-controlling interests:				
Loss for the year	(577,080)	(818,153)	--	(1,395,233)
Total comprehensive loss for the year	(573,566)	(668,531)	--	(1,242,097)
Accumulated non-controlling interests	(346,781)	(1,241,353)	180	(1,587,954)

Summarised financial information of the above subsidiaries is as follows:

Non-current assets	1,297,853	984,795	980,306	3,262,954
Current assets	4,157,405	60,936,473	1,052,483	66,146,361
Total assets	5,455,258	61,921,268	2,032,789	69,409,315
Current liabilities	6,900,177	66,187,787	3,249,475	76,337,439
Total liabilities	6,900,177	66,187,787	3,249,475	76,337,439
Net liabilities	(1,444,919)	(4,266,519)	(1,216,686)	(6,928,124)
Revenue	3,585,581	6,651,696	6,037,988	16,275,265
(Loss) for the year	(2,404,498)	(2,859,828)	(616,724)	(5,881,050)
Total comprehensive (loss) for the year	(2,389,858)	(2,357,101)	(536,525)	(5,283,484)

STERLING AND WILSON INTERNATIONAL SOLAR FZCO AND ITS SUBSIDIARIES

Consolidated financial statements for the year ended 31 March 2020

23. Non-controlling interests (Continued)

2019	GCo Solar Pty Ltd, Australia	Sterling and Wilson Engineering (Pty) Ltd., South Africa	Renovable Energia Contracting, S.L., Spain	Total
Summarised cash flow information:				
Operating activities	(2,949,160)	(11,713,452)	(1,370,402)	(16,033,014)
Investing activities	(1,382,176)	(203,828)	(511,091)	(2,097,095)
Financing activities	4,533,103	12,420,920	2,288,280	19,242,303
Net increase in cash and cash equivalents	201,767	503,640	406,787	1,112,194

24. Employees' terminal benefits

The provision for end of service benefits for employees is made in accordance with the requirements of the labour laws of the respective countries in which the Group operates. This is an unfunded defined benefit plan. The employees are entitled to benefits based on length of service and final remuneration and are payable on termination or completion of term of employment.

Movement in the employees' terminal benefit obligation is as follows:

	2020	2019
Balance at the beginning of the year	1,460,637	60,603
Current service costs and interest	554,602	1,640,681
Actuarial losses/(gains) recognised in other comprehensive income:		
- changes in demographic assumptions	28,677	--
- changes in financial assumptions	(36,582)	--
- experience adjustments	726,742	--
Liability transferred from related party	--	48,230
Payments during the year	(465,859)	(288,877)
Balance at the end of the year	2,268,217	1,460,637

The maturity profile of employees' terminal benefit obligation is as follows:

	2020	2019
Amounts payable within 12 months	26,476	175,652
Amounts payable after 12 months	2,241,741	1,284,985
	2,268,217	1,460,637

One employee of the Group's Parent Company is under the visas of its related parties. However, the employees' terminal benefits are accounted and reported in the books of the Group.

The formal transfer of the employee's visa from its related parties to the Parent Company and one of its subsidiaries is still under process.

The following are the principal actuarial assumptions at the reporting date:

	2020	2019
Discount rate	3.20%	3.10%
Salary escalation	5.00%	5.00%
Employee turnover rate	2.0% to 3.6%	1% to 5%

The sensitivities of the overall employees' terminal benefits liability to changes in the weighted principal assumptions are:

	2020	2019
Discount rate + 100 basis points	(326,144)	(183,207)
Discount rate - 100 basis points	404,230	225,622
Salary escalation rate + 100 basis points	392,370	218,791
Salary escalation rate - 100 basis points	(323,882)	(181,776)
Employee turnover + 100 basis points	(79,597)	(51,302)
Employee turnover - 100 basis points	90,420	57,451

STERLING AND WILSON INTERNATIONAL SOLAR FZCO AND ITS SUBSIDIARIES

Consolidated financial statements for the year ended 31 March 2020

25. Retentions payable

	2020	2019
Balance at the beginning of the year	20,128,463	1,474,772
Additions during the year	2,924,481	18,653,691
Balance at the end of the year	23,052,944	20,128,463

Retentions payable comprise amounts due to contractors which are held over a year after the completion of a project until the defects liability period has passed.

26. Term loans

	2020	2019
Loan 1	73,383,699	73,440,000
Loan 2	--	146,871,636
Loan 3	121,084,365	122,387,760
Loan 4	--	36,416,213
Loan 5	--	73,460,600
Amounts due within a year disclosed as current	194,468,064	452,576,209

Loan 1: The loan is from a commercial bank and is denominated in United States Dollar (USD). The loan carries an interest rate of 2% + 3-month Libor per annum and bullet repayment is due on 31 May 2020. The loan is secured by lien over margin money deposit amounting to 10% of the loan facility availed (Note 16).

Loan 2: The loan was from a commercial bank and was denominated in United States Dollar (USD). The loan carried an interest rate of 3% + 1-month Libor per annum and repayable within 180 days from the draw down date and the last repayment is on 15 July 2019. The loan was secured by a charge over trade accounts receivable and was backed by an assurance from the shareholder that the Group will honor its covenants (Note 15). Loan has been repaid during the year.

Loan 3: The loan is from a commercial bank and is denominated in United States Dollar (USD). The loan carries an interest rate of 125BPS + 3-month Libor per annum. The repayment terms are 40% of the loan due on 20 August 2020 and balance on 31 August 2020. The loan is secured by irrevocable stand-by letter of credit issued in favor of the bank.

Loan 4: The loan was from a commercial bank and was denominated in United States Dollar (USD). The loan carried an interest rate of 3-month Libor + 200BPS per annum. The loan was secured by stand-by letter of credit of USD 10 million issued by a commercial bank on 14 January 2019 and valid up to 6 January 2020. The loan was repayable on a bullet payment due on or before the expiry date of the stand-by letter of credit. Loan has been repaid during the year.

Loan 5: The loan was from a commercial bank and was denominated in United States Dollar (USD). The loan carried an interest rate of 2.75% per annum over LIBOR and was repayable on bullet payment after 6 months from the date of disbursement which is 23 July 2019. The loan was secured by stand-by letter of credit of USD 20 million in favour of the bank. Loan has been repaid during the year.

27. Bank borrowings

	2020	2019
Trust receipts	110,132,039	105,537,877
Bank overdraft	3,239,401	--
	113,371,440	105,537,877

Trust receipts are availed from a commercial bank by a related party on behalf of the Group. These carry interest at 1-month London Interbank Offered Rate (LIBOR) plus 225 BPS, and are secured by corporate guarantee of a related party.

Overdraft facility from a commercial bank in UAE is denominated in Arab Emirates Dirham (AED). The loan carries an interest rate of 1-month EIBOR + 2.25% per annum on actual amount utilised. The overdraft facility is secured by charge over assignment of receivables of the parent company.



 Sterling and Wilson
 International Solar FZCO
 P.O. Box: 54811, Dubai - U.A.E.



STERLING AND WILSON INTERNATIONAL SOLAR FZCO AND ITS SUBSIDIARIES

Consolidated financial statements for the year ended 31 March 2020

28. Lease liability

Lease liability represents the discounted value of future lease payments for the lease of office premises (Note 3.4 p) and 4).

The movement of lease liability at the end of each reporting period is as follows:

	2020	2019
Lease liability discounted at incremental rate of borrowing as at 1 April 2019 (Note 5)	2,012,396	--
Add: Interest on lease liability	88,323	--
Less: Lease liability paid	(1,441,911)	--
Total lease liability as at 31 March 2020	658,808	--
Less: current portion of the lease liability	505,434	--
Non-current portion of the lease liability	153,374	--

The above lease commitments do not include lease commitments for short term leases, i.e., where the lease term is 12 months or less. These payments are expensed in the consolidated statement of comprehensive income.

Amounts recognised in the consolidated statement of comprehensive income

	31 March 2020	31 March 2019
Interest on lease liabilities (Note 9)	88,323	--
Rental expenses (IAS 17) (Note 8)	--	2,302,490
Short term leases	1,389,171	--

Amounts recognised in the consolidated statement of cash flows

	31 March 2020	31 March 2019
Payment of lease liability	1,441,911	--

29. Accounts and other payables

	2020	2019
Trade accounts payable	674,816,722	586,431,747
Due to related parties	1,180,007	--
Due to related parties (funding)	103,630,945	4,304,053
Contract liabilities – advances from customers	43,624,417	8,456,202
Provision for product warranty	7,766,289	9,340,057
Liability arising from acquisition of a subsidiary (Note 22)	--	2,555,367
Accrued expenses and other payables	14,479,881	12,539,809
Income tax payable	--	50,162
	845,498,261	623,677,397

Contract liabilities has increased due to new projects and contracts which was entered by the Group during the year.

30. Related party transactions

The Group has entered into both funding and other transactions with related parties during the year. Related parties represent shareholder and key management personnel of the Group and entities controlled, jointly controlled or significantly influenced by such parties. Prices and terms of these transactions were approved by the management. The significant transactions during the year are as follows:



STERLING AND WILSON INTERNATIONAL SOLAR FZCO AND ITS SUBSIDIARIES

Consolidated financial statements for the year ended 31 March 2020

30. Related party transactions (Continued)

	Relationship	Year ended 31 March 2020	Year ended 31 March 2019
Revenue from contracts (Note 5 d)	Ultimate Parent Company	37,720,962	43,801,962
	Shareholder	969,848,954	1,746,183,555
	Other related party	96,870,812	24,528,960
		1,104,440,728	1,814,514,477
Interest expense (Note 9)	Shareholder	16,333,429	16,905,873
Interest expense (Note 9)	Other related party	1,034,119	5,530,919
		17,367,548	22,436,792
Interest income on loan (Note 7)	Other related party	23,630,129	33,489,864
Purchase of traded goods	Shareholder	283,516	--
Reimbursement of expenses	Parent Company	10,594,827	4,251,531
	Other related party	4,840,993	3,800,185
		15,719,336	8,051,716
Transfer of property and equipment	Other related party	89,383	137,924
Employees' terminal benefits liability transferred from related party	Other related party	--	48,230
Management support services	Ultimate Parent Company	299,662	64,973
Recoverable expenses	Shareholder	303,000	36,641
	Other related party	5,100,631	--
		5,403,631	36,641
Share in rent expense	Other related party	47,555	47,073
Profit on sale of property and equipment	Other related party	35,683	--

The amounts due from/to related parties do not attract interest and are receivable/payable on demand, except for certain due to related parties which incurred interest of AED 1,034,119 (Note 9).

Key management compensation

	Year ended 31 March 2020	Year ended 31 March 2019
Salaries and other allowances	7,415,241	2,400,000
	7,415,241	2,400,000

30. Financial risk and capital management

31.1 Financial risk factors

The Group's financial instruments consist mainly of loan to related party, contract assets, accounts and other receivables, bank balances, retentions payable, accounts and other payables, term loans and bank borrowings. The management believes that the fair values of the financial assets and liabilities approximate to their carrying amounts.

The Group's financial risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects of the financial performance. Under the Group's risk management programme, management identifies and documents key risks and sets out policies and procedures required to mitigate these risks. No changes were made in the risk management objectives and policies during the year/period ended 31 March 2020 and 31 March 2019. The identified key risks are:

a) Currency risk

The Group manages its currency risk by regularly assessing current and expected foreign currency exchange rate movements. Management believes that there is minimal risk of significant losses due to exchange rate fluctuations and consequently the Group does not hedge foreign currency exposures.

The table below indicates the Group's foreign currency exposure, as a result of its monetary assets and liabilities.

STERLING AND WILSON INTERNATIONAL SOLAR FZCO AND ITS SUBSIDIARIES

Consolidated financial statements for the year ended 31 March 2020

31. Financial risk and capital management (Continued)

31.1 Financial risk factors (Continued)

a) Currency risk (Continued)

	2020	2019
	AED	AED
US Dollar (USD)	(149,775)	203,351
Euro (EUR)	(227,172)	(44,014,618)
Others	39,797	--

The following tables demonstrate the sensitivity to a reasonably possible change in the following foreign currencies, with all other variables held constant. The impact on the Group's profit is due to changes in the fair value of monetary assets and liabilities.

	2020	2019
	Effect on profit (+/-)	Effect on profit (+/-)
<i>Change in currency rate in 5% (+/-)</i>		
Currency		
USD	(7,489)	10,168
EUR	(11,359)	2,200,731
Others	1,990	--

b) Interest rate risk

The Group's interest rate risk arises from bank borrowings and term loans. The interest rate risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings.

A change of 100 basis points in interest rates at the reporting date (assuming that all other variable remain constant) would have increased/(decreased) loss as follows:

	2020	2019
	Effect on profit (+/-)	Effect on profit (+/-)
<i>Change in interest rate (+/-)</i>		
1%	1,977,075	5,581,141

c) Credit risk

The Group is potentially exposed to concentration of credit risk from its financial assets which comprise principally of bank balances and deposits, loan to a related party, trade accounts receivable, contract assets, other receivables, contract assets and amounts due from related parties.

Bank balances and deposits

The Group's bank accounts are placed with high credit quality financial institutions.

Trade accounts receivable, contract assets, loan to a related party and due from related parties

The credit risk on trade accounts receivables, contract assets, amounts due from related parties and loan to a related party are subjected to credit evaluations. The Group mostly generates revenue from its shareholder and related parties. Outstanding amounts of trade accounts receivable, contract assets, due from related parties and loan to a related party are regularly monitored and allowance will be made for expected credit losses.

The Group is exposed to a concentration of credit risk. At the reporting date, 77% of the trade accounts receivable is due from 1 customer (2019: 92%) and 100% of the amounts due from related parties (funding) is due from a single party (2019: 100%).

With respect to credit risk arising from the financial assets of the Group, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

STERLING AND WILSON INTERNATIONAL SOLAR FZCO AND ITS SUBSIDIARIES

Consolidated financial statements for the year ended 31 March 2020

31. Financial risk and capital management (Continued)

31.1 Financial risk factors (Continued)

c) Credit risk (Continued)

Impairment of financial assets

The Group's trade accounts receivable, contract assets, due from related parties (funding), loan to a related party and other receivables are subject to the expected credit loss model. As at the reporting date, Group's financial assets are expected to be recoverable and identified impairment loss is considered immaterial.

While bank balances and deposits are also subject to impairment, no impairment loss is identified.

d) Liquidity risk

The Group manages its liquidity risk by ensuring it has sufficient liquid cash balances to meet its payment obligations as they fall due. The Group maintains good working relations with its banks and ensures compliance with the covenants as stipulated in facility agreements.

The table below summarises the maturities of the Group's undiscounted financial liabilities based on contractual payment dates:

2020	On demand	0 to 3 months	3 to 12 months	More than 1 year	Total
Accounts and other payables	103,630,945	698,242,899	--	--	801,873,844
Term loans	--	73,827,835	123,770,178	--	197,598,013
Bank borrowings	3,239,401	74,902,924	39,284,742	--	117,427,067
Retentions payable	--	--	23,052,944	--	23,052,944
Lease liability	--	130,642	397,990	154,353	682,985
Total	106,870,346	847,104,300	186,505,854	154,353	1,140,634,853
2019	On demand	0 to 3 months	3 to 12 months	More than 1 year	Total
Accounts and other payables	4,304,053	20,065,446	590,801,534	--	615,171,033
Employees' terminal benefits	--	175,652	--	--	175,652
Term loans	--	153,921,059	311,867,894	--	465,788,953
Bank borrowings	--	24,557,355	84,124,808	--	108,682,163
Retentions payable	--	--	20,128,463	--	20,128,463
Total	4,304,053	198,719,512	1,006,922,699	--	1,209,946,264

31.2 Capital management

The Group's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholder by pricing products and services commensurately with the level of risk.

The Group sets the amount of capital funds in accordance with the planned level of operations and in proportion to the levels of risk. The Group manages the shareholder's funds and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the shareholder's funds, the Group may adjust the amount of dividends paid to the shareholder, return funds to the shareholder, issue new shares, or sell assets to reduce its exposure to debt. Capital comprises share capital, legal reserve, capital reserve, foreign currency translation reserve, retained earnings, and shareholder's current account and is measured at AED 415,835,295 as at 31 March 2020 (2019: AED 394,025,847).

32. Impact due to COVID-19

On 11 March 2020, the World Health Organization declared the outbreak of the coronavirus (COVID-19) as a global pandemic. The outbreak of COVID-19 has resulted in governments worldwide enacting emergency measures to constrain the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods, self-isolation, physical and social distancing and the closure of non-essential business, have caused significant disruption to businesses globally which has resulted in an uncertain and challenging economic environment. The Group has implemented a wide range of measures which is focused on: (i) ensuring that employees that can work remotely do so; and (ii) ensuring that employees working on site for the projects, who are not able to work remotely, are able to work safely and in a manner that ensures they remain healthy. This plan includes health screening, enhanced cleaning arrangements, travel

STERLING AND WILSON INTERNATIONAL SOLAR FZCO AND ITS SUBSIDIARIES

Consolidated financial statements for the year ended 31 March 2020

32. Impact due to COVID-19 (Continued)

bans, revised schedules, contingent work teams and the reorganization of processes and procedures to limit contact with other employees at the projects on-site. Whilst the Group is experiencing slowdown in the projects for certain geographies where lock down has been announced, some of the countries have projects fully under construction. Further there is no major impact on the project cost and margins due to Covid-19 as this event has been classified as force majeure which absolves the Group from any claims by the project developers on account of delay in project execution. The Group's cash flows have been relatively unaffected in the first quarter of 2020 due to the strong balance sheet with ample liquidity and the financial strength of its customers.

The situation including government and public response to the challenges continue to progress and rapidly evolve. Therefore, the extent and duration of the impact of these conditions remain uncertain and depend on future developments that cannot be accurately predicted at this stage, and a reliable estimate of such an impact cannot be made at the date of authorisation of these consolidated financial statements. Notwithstanding, these developments is not expected to have a significant impact on our future financial results, cash flows and financial position, the management will continue to monitor and evaluate the required mitigating actions during the 2021 financial year.

